



GREAT WATER

GREAT WATER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8196

2019
Interim Report

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*This report, for which the directors (the “**Directors**”) of Great Water Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; there are no other matters the omission of which would make any statement herein or this report misleading.*



FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2019

- Based on the unaudited condensed consolidated results of the Group for the six months ended 30 June 2019 (the “**Period**”), the Group’s revenue for the Period amounted to approximately RMB16,112,000, representing a decrease of approximately 83.2% as compared to approximately RMB95,834,000 for the corresponding period in 2018.
- During the Period, the Group’s total gross profit was approximately RMB4,397,000, representing a decrease of approximately 83.7% as compared to approximately RMB26,923,000 for the corresponding period in 2018.
- During the Period, the Group’s loss attributable to ordinary equity holders was approximately RMB5,204,000 as compared to profit attributable to ordinary equity holders of approximately RMB15,256,000 for the corresponding period in 2018.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2019 together with the comparative unaudited figures for the corresponding period in 2018 as follows:

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2019 RMB'000 Unaudited	2018 RMB'000 Unaudited	2019 RMB'000 Unaudited	2018 RMB'000 Unaudited
REVENUE	4	11,580	47,130	16,112	95,834
Cost of Sales		(7,894)	(33,298)	(11,715)	(68,911)
Gross profit		3,686	13,832	4,397	26,923
Other income and gains	4	5,301	2,705	6,098	6,222
Selling and distribution expenses		(902)	(864)	(1,605)	(2,101)
Administrative expenses		(5,818)	(5,023)	(12,978)	(11,806)
Finance costs	6	(779)	(767)	(1,834)	(1,532)
PROFIT/(LOSS) BEFORE TAX		1,488	9,883	(5,922)	17,706
Income tax expense	7	293	(1,089)	1,084	(2,597)
PROFIT/(LOSS) FOR THE PERIOD		1,781	8,794	(4,838)	15,109
Attributable to:					
Owners of parent		1,415	8,878	(5,204)	15,256
Non-controlling interests		366	(84)	366	(147)
		1,781	8,794	(4,838)	15,109
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	9	RMB0.005	RMB0.030	RMB(0.017)	RMB0.051

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

Notes	For the three months ended 30 June		For the six months ended 30 June	
	2019 RMB'000 Unaudited	2018 RMB'000 Unaudited	2019 RMB'000 Unaudited	2018 RMB'000 Unaudited
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	1,033	2,379	17	432
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	1,033	2,379	17	432
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	1,033	2,379	17	432
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,814	11,173	(4,821)	15,541
Attributable to:				
Owners of parent	2,448	11,257	(5,187)	15,688
Non-controlling interests	366	(84)	366	(147)
	2,814	11,173	(4,821)	15,541

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		17,158	56,001
Investment properties		24,000	24,000
Prepaid land lease payments		465	465
Other intangible asset		2,779	3,170
Investment in an associate		1,500	–
Total non-current assets		45,902	83,636
CURRENT ASSETS			
Inventories		1,447	101
Contract assets		127,713	133,652
Trade and bills receivables	10	140,494	162,420
Prepayments, deposits and other receivables		39,203	37,682
Tax recoverable		1,097	–
Pledge deposits		3,168	3,974
Cash and bank balances		86,659	64,627
Total current assets		399,781	402,627
CURRENT LIABILITIES			
Trade payables	11	119,728	140,432
Other payables and accruals		33,131	32,276
Interest-bearing bank borrowing		64,297	65,000
Tax payable		–	4,135
Total current liabilities		217,156	241,843
NET CURRENT ASSETS		182,625	160,613
TOTAL ASSETS LESS CURRENT LIABILITIES		228,527	244,249
NON-CURRENT LIABILITIES			
Deferred tax liabilities		4,520	4,520
Interest-bearing bank borrowing		7,000	17,901
Total non-current liabilities		11,520	22,421
Net assets		217,007	221,828
EQUITY			
Share capital		2,397	2,397
Reserves		214,615	219,802
		217,012	222,199
Non-controlling interests		(5)	(371)
Total equity		217,007	221,828

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital RMB'000	Share premium account RMB'000	Merge reserve RMB'000	Asset revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2018 (audited)	2,397	98,818	(13,830)	9,134	13,192	1,388	104,349	215,488	(64)	215,384
Profit for the period	-	-	-	-	-	-	15,256	15,256	(147)	15,109
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	432	-	432	-	432
Total comprehensive income for the period	-	-	-	-	-	432	15,256	15,688	(147)	15,541
At 30 June 2018 (unaudited)	2,397	98,818	(13,830)	9,134	13,192	1,820	119,605	231,136	(211)	230,925
	Share capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000	Asset revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2019 (audited)	2,397	98,818	(13,830)	9,134	15,029	3,422	107,229	222,199	(371)	221,828
Profit for the period	-	-	-	-	-	-	(5,204)	(5,204)	366	4,838
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	17	-	17	-	17
Total comprehensive income for the period	-	-	-	-	-	17	(5,204)	(5,187)	366	(4,821)
At 30 June 2019 (Unaudited)	2,397	98,818	(13,830)	9,134	15,029	3,439	102,025	217,012	(5)	217,007

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB'000 Unaudited	2018 RMB'000 Unaudited
Net cash from/(used in) operating activities	14,474	(32,157)
Net cash from investing activities	3,078	293
Net cash from/(used in) financing activities	4,463	(2,526)
Net increase/(decrease) in cash and cash equivalents	22,015	(34,390)
Cash and cash equivalents at beginning of period	64,627	108,086
Effect of foreign exchanges, net	17	432
Cash and cash equivalents at end of period	86,659	74,128
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances as stated in the condensed consolidated statement of financial position	86,659	74,128
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	86,659	74,128

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2019

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 25 March 2015. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suite 2001, 20/F, Chinachem Johnston Plaza, 186 Johnston Road, Wan Chai, Hong Kong.

The Company is an investment holding company. During the Period, the Group is principally engaged in the environmental protection business, such as wastewater treatment and soil remediation, through the design, construction, operation and maintenance service of related facilities and the trading of related equipment.

2. BASIS OF PREPARATION

The Group's interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of the GEM Listing Rules.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the engineering, procurement and construction projects ("**EPC Projects**") segment comprises projects in which an enterprise is commissioned by a customer to act as a general contractor to take care of the overall design, procurement and construction of water or wastewater treatment facilities pursuant to the contract and be responsible for the quality, safety, time control and pricing of the project;
- (b) the construction projects ("**Construction Projects**") segment represents construction projects other than EPC Projects;
- (c) the equipment projects ("**Equipment Projects**") segment comprises projects in which an enterprise is engaged by a customer for procurement of necessary materials, equipment and machinery, installation, testing and commissioning of the equipment and machinery for the treatment facilities as well as provision of technical consulting services to upgrade or optimise the design of the water or wastewater treatment facilities pursuant to the contract;
- (d) the service concession arrangement ("**Service Concession Arrangement**") segment comprises projects in which provides the construction of sludge treatment and operation of the sludge station upon the completion of construction for a long period, i.e. 10 years. The fee received under this arrangement for the provision of operation services includes a guaranteed tariff based on a guaranteed minimum treatment volume together with an additional tariff in excess of the minimum volume. Restoration of the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement is necessary. According to the term of such arrangement, the Group is responsible for all of the costs in construction, operation and maintenance as well as restoration of the infrastructure; and
- (e) the other projects ("**Others**") segment comprises, principally, the Group's operation and maintenance services in which an enterprise of the Group is retained to operate and maintain water or wastewater treatment facilities for a certain period for certain operation and maintenance fees on a monthly or quarterly basis.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, fair value gains from the Group's investment properties as well as head office and corporate expenses are excluded from such measurement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2019

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets exclude tax recoverable, cash and cash equivalents, property, plant and equipment, investment properties, prepaid land lease payments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities, interest-bearing bank borrowing and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The unaudited segment results for the six months ended 30 June 2019 are as follows:

	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Services Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	2,119	2,558	2,408	5,920	3,107	16,112
Segment results	238	457	1,313	283	2,106	4,397
<i>Reconciliation:</i>						
Interest income						47
Unallocated gains						6,051
Corporate and other unallocated expenses						(14,583)
Finance costs						(1,834)
Loss before tax						(5,922)

The unaudited segment results for the six months ended 30 June 2018 are as follows:

	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Services Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	28,141	11,991	54,138	–	1,564	95,834
Segment results	3,709	4,151	18,424	–	639	26,923
<i>Reconciliation:</i>						
Interest income						64
Unallocated gains						6,158
Corporate and other unallocated expenses						(13,907)
Finance costs						(1,532)
Profit before tax						17,706

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2019

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; and rental income received and receivable from investment properties during the relevant periods.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2019 RMB'000 Unaudited	2018 RMB'000 Audited
Revenue		
Income from construction contracting and related business	10,597	40,132
Sales of goods	2,408	54,138
Rendering of maintenance services	3,107	1,564
	16,112	95,834
Other income		
Bank interest income	47	64
Rental income	757	3,776
Government grants	716	306
	1,520	4,146
Gains		
Gain on disposal of items of property, plant and equipment	–	2,076
Gain on disposal of a subsidiary	4,578	–
	6,098	6,222

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2019

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2019 RMB'000 Unaudited	2018 RMB'000 Unaudited
Cost of inventories sold	5,942	57,219
Cost of construction contracting	4,340	6,362
Cost of services provided	1,433	5,330
Depreciation	1,108	1,848
Amortisation of land lease payments	392	26
Auditors' remuneration	691	650
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	7,955	6,749
Pension scheme contributions	835	876
Other welfare	287	288
	9,077	7,913
Foreign exchange differences, net	(47)	(279)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	11	145
Bank interest income*	(47)	(64)
Gain on disposal of items of property, plant and equipment*	–	(2,076)
Gain on disposal of a subsidiary	(4,578)	–

* Gains are included in "Other income and gains" and the losses are included in "Other expenses", as appropriate, in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2019

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2019 RMB'000 Unaudited	2018 RMB'000 Unaudited
Interest on bank loans	1,834	1,532

7. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5%, (2018: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made as the Group has no assessable profits arising in Hong Kong for the six months ended 30 June 2019 (2018: Nil).

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiary which operates in the People's Republic of China (the "Mainland China" or the "PRC") is subject to Corporate Income Tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's principal operating subsidiary, Guangzhou Great Water Environmental Protection Co., Ltd., since it was recognised as a High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% had been applied during the period ended 30 June 2019 and 2018.

Pursuant to the Vietnam Income Tax Law and the respective regulations, the subsidiary which operates in Vietnam is subject to Corporate Income Tax at a rate of 20% on the taxable income.

	For the six months ended 30 June	
	2019 RMB'000 Unaudited	2018 RMB'000 Unaudited
Current — Elsewhere other than Hong Kong	(1,084)	2,597
Deferred	—	—
Total tax (recover)/charge for the period	(1,084)	2,597

8. DIVIDENDS

The Directors does not recommend payment of any dividend for the six months ended 30 June 2019 (2018: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2019

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share for the six months ended 30 June 2019 is based on the loss attributable to ordinary equity holders of RMB5,204,000 (2018: profit attributable to ordinary equity holders of RMB15,256,000), and the weighted average number of ordinary shares in issue of 300,000,000 (2018: 300,000,000).

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

The calculation of basic and diluted earnings per share is based on:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	Unaudited	Unaudited
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculation:	(5,204)	15,526
	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic/diluted earnings per share calculation	300,000,000	300,000,000

10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2019	As at 31 December 2018
	RMB'000	RMB'000
	Unaudited	Audited
Trade receivables	140,748	164,667
Impairment	(3,047)	(3,047)
	137,701	161,620
Bills receivables	2,793	800
	140,494	162,420

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2019

10. TRADE AND BILLS RECEIVABLES *(continued)*

Trade receivables represented the outstanding contracted value for the sale of goods, construction contracts and rendering of services receivable from the customers at each of the reporting dates. The Group's trading terms with its customers are mainly on credit. Tax invoices are issued to the customers based on agreed schedules and the Group's trade receivables are subject to various credit terms. The credit period granted to the customers is 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. For retention monies receivable in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	As at 30 June 2019 RMB'000 Unaudited	As at 31 December 2018 RMB'000 Audited
Within one month	2,393	1,491
One to three months	3,177	594
Three months to one year	4,654	54,461
One to two years	94,919	94,878
Two to three years	25,651	313
Over three years	9,700	10,683
	140,494	162,420

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the transaction date, is as follows:

	As at 30 June 2019 RMB'000 Unaudited	As at 31 December 2018 RMB'000 Audited
Within one month	971	30,314
One to three months	2,148	988
Three months to one year	42,229	62,625
Over one year	74,380	46,505
	119,728	140,432

The trade payables are unsecured, non-interest-bearing and are normally settled in 30 to 90 days.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2019

12. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from three to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2019 RMB'000 Unaudited	As at 31 December 2018 RMB'000 Audited
Within one year	1,872	1,807
In the second to fifth years, inclusive	6,552	7,229
After five years	–	232
	8,424	9,268

(b) As lessee

The Group leases certain of its office properties in Vietnam under operating lease arrangements. These leases for the properties are negotiated for a term of one to two years.

At 30 June 2019, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	As at 30 June 2019 RMB'000 Unaudited	As at 31 December 2018 RMB'000 Audited
Within one year	174	100
In the second to fifth years, inclusive	9	58
	183	158

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2019

13. COMMITMENTS

In addition to the operating lease commitments detailed in note 12(b) above, the Group had the following commitments at the end of the reporting period:

	As at 30 June 2019 RMB'000 Unaudited	As at 31 December 2018 RMB'000 Audited
Contracted, but not provided for:		
Purchases of items of equipment for projects	158,824	103,005
Capital contributions payable to a joint venture company	3,400	20,400
	162,224	123,405

14. RELATED PARTY TRANSACTIONS

(a) The Group's balances with the directors are included in other payables. All the balances are unsecured, interest-free and repayable on demand. Details are as follows:

	As at 30 June 2019 RMB'000 Unaudited	As at 31 December 2018 RMB'000 Audited
Mr. Xie Yang	65	160
Mr. He Xuan Xi	21	132
Ms. Gong Lan Lan	52	51
Mr. Tse Chi Wai	52	51
Mr. Ha Cheng Yong	52	51
Ms. Bai Shuang	52	51
	294	496

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June 2019 RMB'000 Unaudited	2018 RMB'000 Unaudited
Short term employee benefits	2,195	1,544

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a provider of wastewater and drinking water treatment engineering services in the People's Republic of China (the "PRC"). The main business of the Group is the provision of engineering services for wastewater and drinking water treatment facilities. The Group acts either as the contractor, who is responsible for the whole project from launch to final operational management ("EPC Projects"), or as the equipment contractor, who is responsible for providing technical advice and equipment procurement services for the project ("Equipment Projects"). The Group is also engaged in other environmental protection projects ("Other Environmental Protection Projects"), provision of operating and maintenance services ("O&M Projects") for the customers in connection with the management of waste water treatment and drinking water treatment facilities, as well as consultation services in relation to the improvement of wastewater and drinking water treatment facilities of various constructions.

During the Period, the Group recorded a significant decrease in its revenue and loss for the period as compared to the corresponding period in 2018. Such undesirable performance are mainly attributable to (1) a slowdown in new demands for water supply or water treatment facilities due to the prolonged sluggish economy in the People's Republic of China for the first half of 2019; and (2) a delay in the construction for certain projects of the Group. The significant decrease in the Group's revenue led to a corresponding significant decrease in gross profit, resulting in a loss for the Period.

During the Period, the revenue of the Group decreased by approximately RMB79,722,000, or 83.2% to approximately RMB16,112,000 as compared to the corresponding period in 2018. The decrease in revenue was primarily attributable to the factors set out in the above paragraph. During the Period, the Group recognised approximately RMB2,119,000 in revenue from EPC Projects, approximately RMB2,558,000 in revenue from projects other than EPC Projects ("Construction Projects"), approximately RMB2,408,000 in revenue from Equipment Projects, approximately RMB5,920,000 in revenue from the development, construction and operating agreement of a sewage treatment project ("Service Concession Arrangement") and approximately RMB3,107,000 in revenue from Other Environmental Protection Projects for the first half of 2019. In comparison, approximately RMB28,141,000 in revenue from EPC Projects, approximately RMB11,991,000 in revenue from Construction Projects, approximately RMB54,138,000 in revenue from Equipment Projects and approximately RMB1,564,000 in revenue from Other Environmental Protection Projects was recognized in the corresponding period in 2018.

Loss attributable to ordinary equity holders for the Period amounted to approximately RMB5,204,000 as compared to profit attributable to ordinary equity holders approximately RMB15,256,000 last year.

OUTLOOK

Amid the global economic downturn, domestic economy in the PRC has also inevitably encountered pressure. A series of events including the sluggish economy, increasing pressure in export, on-going overproduction remedies, the "deleveraging" and "relentless monitoring" in the PRC's financial sector as well as expected inflation have inflicted downward pressure on the PRC's economy.

According to the information from the China National Bureau of Statistics (中國國家統計局), the economic growth slowed down in the second quarter of 2019 and the growth decreased to 6.2%. The growth in the secondary industry (i.e. manufacturing industry, construction industry and public works), which is closely related to the business of the Group, was still not desirable compared with the past. Such trend was expected to continue in the second half of 2019. Therefore, there has been a consequential slowdown in the additional demands for water or water treatment facilities. In the meantime, the timelines for new projects has been extended considerably. Under such circumstances, there was a significant drop in the total income and profitability, which inevitable resulted in poor performance, including tightening of income and profit margin, as well as a reduction in liquidity. In addition, as the progress of the new projects has been delayed, it is expected the construction progress of the projects of the Group in the first half of 2019 will be significantly lower than that compared with the corresponding period of 2018, and this trend will continue in the third quarter of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Although the Group currently remains cautious in its performance expectations for 2019, the Group began to seek for more changes in second half of 2018 to actively respond to the related trend. Externally, regardless of business direction or its form of implementation, the Group has consciously extended to the industries related to its main business and in both upstream and downstream directions. The Group will consider business expansion through investment with construction or construction with operation, so as to offer more choices for the customers, while expanding the spectrum of services for the customers. In respect of customer selection, the Group will also consciously increase the proportion of state-owned enterprise or state-invested enterprise customers, enhancing our development of and investment in municipal business. Internally, the Group will further strengthen the management of human resources and capital flow to further control our costs and ensure our cash flow.

With a change in its operation approach, moderate success was achieved by the Group in the business development, including the operation agreement entered with Guangzhou Sewage for the development and construction of a sludge treatment project for the wastewater treatment plant located in Dashadi, Guangzhou, the PRC for a term of ten years in the third quarter of 2018. The project started its trial operation in June 2019. On the other hand, the Group has also secured two large projects in the second quarter of 2019, the first one is the EPC Project of Guangzhou Huashan sewage treatment, with a contract amount of approximately RMB130,000,000, which is the largest project for the Group. The other one is the sludge treatment project of Guangzhou Baiyun Airport for an operation of 3.5 years, with a construction contract amount of approximately RMB32,000,000 and estimated annual service fee of approximately RMB15,000,000. These projects will lay a solid foundation for the Group's revenue in the next few years.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2019, the Group's revenue amounted to approximately RMB16,112,000, representing a decrease of approximately 83.2% or RMB79,722,000 as compared to the corresponding period in 2018.

EPC Projects and Construction Projects

For the EPC Projects, the Group assumes the role of main contractor in charge of overall project management of building a treatment plant from initiation to commissioning for a predetermined contract amount. As an EPC contractor, the Group provides engineering design of the treatment facilities, procures necessary materials and appoints sub-contractors to build the facilities. The Group also engages in construction projects related to other environmental protection areas (such as soil remediation project and flue gas treatment project, involving the provision of engineering and procurement services for the project owner).

— *Revenue relating to EPC Projects*

For the Period, the revenue generated from EPC Projects was approximately RMB2,119,000 (2018: approximately RMB28,141,000), representing a decrease of approximately 92.5% or RMB26,022,000 over the corresponding period in 2018. The decrease in revenue from EPC Projects in the first half of 2019 was primarily attributable to the recognition of revenue of approximately 2,119,000 from one EPC Project. In contrast, the revenue from EPC Projects for the corresponding period last year was derived from the recognition of revenue of approximately RMB28,141,000 in revenue from two EPC Projects.

— *Revenue relating to Construction Projects*

For the Period, the revenue generated from Construction Projects was approximately RMB2,558,000 (2018: approximately RMB11,991,000), representing a decrease of approximately 78.7% or RMB9,433,000 over the corresponding period in 2018. The decrease in revenue from Construction Projects in the first half of 2019 was primarily attributable to the recognition of revenue of approximately 2,558,000 from four Construction Projects. In contrast, the revenue from Construction Projects for the corresponding period last year was derived from the recognition of revenue of approximately RMB11,991,000 in revenue from two Construction Projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Equipment Projects

For Equipment Projects, the Group mainly provides procurement services to a pre-defined section of a project. In determining the equipment and machinery best suited for the project operator's requirements, the Group's technical team often needs to work closely with the customer in identifying, evaluating and selecting different equipment options before the procurement team comes into play.

For the Period, the revenue generated from Equipment Projects was approximately RMB2,408,000 (2018: approximately RMB54,138,000), representing a decrease of approximately 95.6% or RMB51,730,000 over the corresponding period in 2018. The decrease in revenue from Equipment Projects in the first half of 2019 was primarily attributable to the recognition of revenue of approximately 2,408,000 from one Equipment Project. In contrast, the revenue from Equipment Projects for the corresponding period last year was derived from the recognition of revenue of approximately RMB54,138,000 in revenue from ten Equipment Projects.

Service Concession Arrangement

For Service Concession Arrangement, the Group has acquired a sludge treatment project in a wastewater treatment plant located in Dashadi from Guangzhou Sewage in the third quarter of 2018. The Group, as a contractor, is responsible for the development, construction and the operation agreement for a term of 10 years of the project. The project is starting its trial-operation in June 2019.

For the Period, the revenue generated from the Service Concession Arrangement segment was approximately RMB5,920,000 (2018: Nil). The revenue for the Period was attributable to the relative revenue of work recognized based on the actual costs incurred according to the progress of development and construction work of the Service Concession Arrangement. There was no such gain for the corresponding period last year as the Group did not acquire any Service Concession Arrangement.

Others

The revenue under the other segment included revenue attributable to O&M Projects and technical advisory services. As at 30 June 2019, the Group had one wastewater treatment O&M Project and four drinking water treatment O&M Projects on hand.

For the Period, the revenue generated from rendering of maintenance services amounted to approximately RMB3,107,000 (2018: approximately RMB1,564,000), representing an increase of approximately 98.7% or RMB1,543,000 as compared to the corresponding period in 2018. The increase was primarily attributable to (i) there are approximately RMB1,622,000 of revenue from three technical advisory projects being recognised in the first half of 2019 as compared to only one technical advisory project approximately RMB94,000 of revenue in the corresponding period in 2018; and (ii) O&M projects which contributed approximately RMB1,485,000 in revenue in the first half of 2019, representing an increase of approximately RMB15,000 as compared to the corresponding period of last year.

Other income and gains

For the Period, other income and gains amounted to approximately RMB6,098,000 (2018: approximately RMB6,222,000), representing a decrease of approximately 2.0% or approximately RMB124,000 as compared to the corresponding period in 2018.

Cost of sales

For the Period, the cost of sales of the Group amounted to approximately RMB11,715,000 (2018: approximately RMB68,911,000), representing a decrease of approximately 83.0% or approximately RMB57,196,000 compared to the corresponding period in 2018.

The decrease in cost of sales was mainly due to the decreased operating revenue. The subcontracting costs decreased to approximately RMB4,340,000 for the six months ended 30 June 2019 from approximately RMB6,362,000 for the corresponding period in 2018. The material costs decreased to approximately RMB5,942,000 for the six months ended 30 June 2019 from approximately RMB57,219,000 for the corresponding period in 2018, representing a decrease of approximately 89.6% or approximately RMB51,277,000 over the corresponding period in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

For the Period, the Group achieved gross profit of approximately RMB4,397,000 (2018: approximately RMB26,923,000), representing a decrease of approximately 83.7% or approximately RMB22,526,000 as compared to the corresponding period in 2018. The decrease in gross profit of the Group was mainly due to the fact that the revenue in the first half of 2019 decreased by approximately 83.2% as compared to the corresponding period of last year.

Selling and distribution expenses

For the Period, the selling and distribution expenses of the Group amounted to approximately RMB1,605,000 (2018: approximately RMB2,101,000), representing a decrease of approximately 23.6% or approximately RMB496,000 compared to the corresponding period in 2018. The decrease in the selling and distribution expenses was mainly attributed to (i) the decrease in salaries and employee benefit of approximately RMB262,000; and (ii) the decrease in transportation cost of approximately RMB198,000.

Administrative expenses

For the Period, the administrative expenses of the Group amounted to approximately RMB12,978,000 (2018: approximately RMB11,806,000), representing an increase of approximately 9.9% or approximately RMB1,172,000 compared to the corresponding period in 2018. The increase in the administrative expenses was mainly attributed to increase in salaries and employee benefit of approximately RMB1,163,000.

Profit for the Period

For the Period, the loss for the period amounted to approximately RMB4,838,000 as compared to a profit for the period of approximately RMB15,109,000 for the corresponding period last year representing a decrease of 132.0%. The decrease was a consequence of a decrease in revenue.

DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The shares (“Shares”) of the Company were successfully listed (the “Listing”) on the GEM of the Stock Exchange on 9 December 2015. Since then there has been no change in the capital structure of the Group. The capital of the Group comprises only ordinary shares.

As at 30 June 2019, the total equity attributable to the Company’s shareholders (the “Shareholders”) was approximately RMB217,012,000 (31 December 2018: approximately RMB222,199,000). The Group continued to maintain a strong financial position with cash and cash equivalents amounting to approximately RMB86,659,000 (31 December 2018: approximately RMB64,627,000). The Group’s net current asset was approximately RMB182,625,000 (31 December 2018: approximately RMB160,613,000). Based on the Group’s existing cash and cash equivalents on hand and bank facilities available to the Group, the Group has adequate financial resources to fund the working capital required for its operation in the coming year. There was no hedging through any financial instruments.

During the six months ended 30 June 2019, the Group’s cash and cash equivalents were mainly denominated in RMB, Hong Kong dollar and United States dollar and were placed in reputable financial institutions as deposits with maturity dates falling within one year. This is in line with the Group’s treasury policy to maintain liquidity of its funds and whilst continue to contribute stable income to the Group.

As at 30 June 2019, the Group had general banking facilities amounting to RMB95,000,000. The total borrowing from the banking facilities of the Group as at 30 June 2019 amounted to RMB71,297,000 (31 December 2018: RMB82,901,000). The borrowing is due within one year and the interest rate is variable subject to the People’s Bank of China benchmark interest rate. The banking facilities were pledged by the Group’s buildings. For details of the pledged assets, please refer to the section headed “Charges on the Group’s Assets” below.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

As at 30 June 2019, the Group's gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was 38% (31 December 2018: 46%). Net debt of the Group includes interest-bearing bank borrowing, trade payables and other payables and accruals, less cash and bank balances. Capital represents equity attributable to owners of the Company.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

There were no other significant investments held by the Group as at 30 June 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 31 January 2019, the Group entered into an agreement in relation the disposal of 100% of the equity interest in Great Water Environmental Technology (Shanghai) Company Limited. Details of the disposal are set out in the announcement of the Company dated 31 January 2019. The disposal is being completed on June 2019. Except as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the Period.

COMMITMENTS

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 30 June 2019, the Group's contractual operating commitments amounted to approximately RMB158,824,000 (31 December 2018: approximately RMB103,005,000).

As at 30 June 2019, there was capital commitment amounting to approximately RMB3,400,000 for the Group (31 December 2018: approximately RMB46,000,000).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2019, the Group does not have other plans for material investments and capital assets as at the date of this report.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2019 and 31 December 2018, the Group's buildings, with net carrying amount of RMB7,259,000 and RMB44,759,000, respectively, were pledged to secure certain general banking facilities granted to the Group.

As at 30 June 2019 and 31 December 2018, the Group's investment properties, with net carrying amount of RMB24,000,000 and RMB24,000,000, respectively, were pledged to secure certain general banking facilities granted to the Group.

As at 30 June 2019 and 31 December 2018, the Group's leasehold land, with net carrying amount of RMB438,000 and RMB477,000, respectively, were pledged to secure certain general banking facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group's main operations are in the PRC with most of its transactions settled in RMB. The Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the period ended 30 June 2019, the Group did not hedge any exposure to foreign exchange risk.

ADVANCES TO AN ENTITY

As at 30 June 2019, the Group did not provide any advances to any entity outside the Group.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

As at 30 June 2019, there was no pledging of Shares by the controlling Shareholders (the "Controlling Shareholders").

MANAGEMENT DISCUSSION AND ANALYSIS

LOAN AGREEMENTS OF THE GROUP

As at 30 June 2019, the Group did not enter into any loan agreement with covenants relating to specific performance of the controlling shareholders of the Company.

During the first six months of 2019, the Group did not breach any terms of agreement in respect of any loan that is significant to the Group's operations.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 30 June 2019, the Group did not provide any financial assistance or guarantee to affiliated companies of the Group.

SHARE OPTION SCHEME

As at 30 June 2019, the Group has not adopted any share option scheme.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed 80 employees (31 December 2018: 87 employees). Employee costs amounted to approximately RMB9.1 million for the six months ended 30 June 2019 (2018: approximately RMB7.9 million). The Group will endeavour to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' remuneration is determined based on their performance.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There was no significant events affecting the Group which have occurred since the end of the Period.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the chairman being primarily responsible for establishing relevant practices and procedures. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen accountability to shareholders and creditors. Therefore the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company adopted the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Save for code A.2.1 of the CG Code, that the roles of the chairman and chief executive officer of the Company should be separate and should not be performed by the same individual, the Board is satisfied that the Company had complied with the CG Code for the Period. Mr. Xie Yang ("Mr. Xie") is chairman and the chief executive officer of the Company. With extensive experience in the wastewater and water treatment engineering services industry, Mr. Xie is responsible for the Group's overall strategic planning and management of its business. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group and the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board comprised of two executive Directors (including Mr. Xie), one non-executive Director and three independent non-executive Directors during six month ended 30 June 2019 and therefore has sufficient independent elements in its composition.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant the Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Director during the six months ended 30 June 2019 and up to the date of this report are set out below:

Mr. TSE Chi Wai, the independent non-executive Director of the Company has resigned as independent non-executive director of Winto Group (Holdings) Limited (Stock Code: 8238) with effect from 31 May 2019. He also retired as the executive director of China Information Technology Development Limited (Stock Code: 8178) with effect from 28 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the Period, none of the Directors had material interests, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) that competes or may compete, either directly or indirectly, with the business of the Group, or of any other conflicts of interest which any such person has or may have with the Group during the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporation (as defined in Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in Shares

Name of director	Capacity	Number of Shares (Note 1)	Approximate percentage of the total number of Shares in issue
Mr. Xie Yang ^(Note 2)	Interest in controlled corporation	91,350,000 (L)	30.45%

Notes:

- The letter "L" denotes a long position.
- These Shares are owned by Oceanic Expert Investments Limited which is wholly owned by Perfect Wave Holdings Limited, the 100% interests of which is in turn beneficially owned by Mr. Xie Yang. Accordingly, Mr. Xie Yang is taken or deemed to be interested in the 91,350,000 Shares held by Oceanic Expert Investments Limited by virtue of the SFO.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

THE INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND THE INTERESTS AND SHORT POSITION OF OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2019, so far as the Directors are aware, the interests or short positions owned by the following persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

Long positions in the Shares

Name of shareholder(s)	Capacity	Number of Ordinary Shares (Note 1)	Approximate percentage of the total number of Shares in issue
Oceanic Expert Investments Limited ^(Note 2)	Beneficial owner	91,350,000 (L)	30.45%
Perfect Wave Holdings Limited ^(Note 2)	Interest in controlled corporation	91,350,000 (L)	30.45%
Waterman Global Limited ^(Note 3)	Beneficial owner	67,117,500 (L)	22.37%
Keen Leap Investments Limited ^(Note 3)	Interest in controlled corporation	67,117,500 (L)	22.37%
Keen Leap Investments Limited	Beneficial owner	2,732,000 (L)	0.91%
Mr. Zhang Yao ^(Note 3)	Interest in controlled corporation	69,849,500 (L)	23.28%
Great Time Ventures Limited ^(Note 4)	Beneficial owner	44,032,500 (L)	14.68%
Topman Ventures Limited ^(Note 4)	Interest in controlled corporation	44,032,500 (L)	14.68%
Mr. Song Xiao Xing ^(Note 4)	Interest in controlled corporation	44,032,500 (L)	14.68%

Notes:

- The letter "L" denotes a long position.
- Mr. Xie Yang beneficially owns the entire issued share capital of Perfect Wave Holdings Limited which in turn wholly owns Oceanic Expert Investments Limited which held 91,350,000 Shares.
- Mr. Zhang Yao beneficially owns the entire issued share capital of Keen Leap Investments Limited which held 2,732,000 Share directly and in turn wholly owns Waterman Global Limited which held 67,117,500 Shares.
- Mr. Song Xiao Xing beneficially owns the entire issued share capital of Topman Ventures Limited which in turn wholly owns Great Time Ventures Limited which held 44,032,500 Shares.

Save as disclosed above, as at 30 June 2019, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”). The Company had also made specific enquiry of all the Directors, and each of them has confirmed that he/she was in compliance with the Required Standard of Dealings during the Period.

REVIEW OF FINANCIAL STATEMENT

During the Period, the audit committee of the Company (“**Audit Committee**”) comprised three independent non-executive Directors, namely, Mr. Tse Chi Wai, Ms. Bai Shuang and Mr. Ha Cheng Yong. Mr. Tse Chi Wai is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting policies and practices adopted by the Group and has discussed with the management of the Company on the financial reporting matters including review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 and the interim results and interim report of the Group for the six months ended 30 June 2019, and is of the view that the interim results and the interim report have complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

By order of the Board
Great Water Holdings Limited
XIE YANG
Chairman

Guangzhou, the PRC, 9 August 2019

As at the date of this report, the executive Directors are Mr. XIE Yang and Mr. HE Xuan Xi; the non-executive Director is Ms. GONG Lan Lan and the independent non-executive Directors are Ms. BAI Shuang, Mr. HA Cheng Yong and Mr. TSE Chi Wai.